



STATE OF DELAWARE

PUBLIC SERVICE COMMISSION
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December 22, 2014

TO: The Chair and Members of the Commission

FROM: Jason R. Smith 
Public Utility Analyst II

SUBJECT: IN THE MATTER OF THE TARIFF FILING OF CHESAPEAKE UTILITIES CORPORATION
FOR APPROVAL OF A NEW RATE SCHEDULE "TFFF" CALLED TOWN OF FREDERICA
FRANCHISE FEE RIDER (FILED OCTOBER 31, 2014) – PSC DOCKET NO. 14-0495

Application:

On October 31, 2014, Chesapeake Utilities Corporation ("Chesapeake" or "Company") filed an application with the Delaware Public Service Commission ("Commission") and the Division of the Public Advocate ("DPA") seeking approval to charge all its natural gas customers within the Town of Frederica ("Frederica" or "Town") a Town of Frederica Franchise Fee Rider ("TFFF") surcharge effective on and after January 1, 2015, pending the conclusion of a public evidentiary hearing and the Commission's decision.

The Town of Frederica adopted a franchise agreement with the Company on July 17, 2013. Under the terms of the franchise agreement, the Town of Frederica will impose a volumetric surcharge of \$0.010 per Ccf as a condition for the Company to use the Town's public roads and rights-of-way in providing natural gas to residents of Frederica. This surcharge reflects the same amount that the Company proposes to collect from the Town's residents/customers in this application, which will then be remitted to Frederica on an annual basis.

Staff's Review:

Staff performed a review of the application and additional supporting documents provided by the Company for accuracy and completeness. After filing the application, it was determined between Staff and the Company that in order to satisfy public notice requirements that this matter could not be before the Commission prior to January 1, 2015. Therefore, on November 20, 2014, Chesapeake filed a notice requesting the effective date for implementing the tariff changes and the TFFF surcharge be modified to February 1, 2015.

In order to fully understand the Company's application, Staff sent informal discovery requests requesting the amount of customers presently served in Frederica as well as clarification regarding existing service lines within Frederica's town limits. Chesapeake subsequently provided responses to these requests identifying that the Company presently serves fifty (50) customers in Frederica that would be assessed the franchise fee upon its effective date.

In addition, Staff has reviewed the proposed tariff revisions submitted by Chesapeake in its application and finds these to be consistent with similar surcharges approved by the Commission, more recently in the Town of Selbyville¹, Town of Dagsboro², and the City of Lewes³.

Lastly, the Company has indicated that it will provide its affidavits of publication regarding this application at the scheduled evidentiary hearing for this matter on January 6, 2015. At the time of submission of this memorandum, no person or entity sought to intervene in this proceeding nor has any member of the public filed comments in protest of the application.

Staff Recommendation:

Staff respectfully recommends that the Commission approve Chesapeake's application for the proposed rate schedule TFFF in the amount of \$0.010 as a surcharge on delivered gas to the Town of Frederica customers only subject to the conditions that (i) Chesapeake may not treat this TFFF surcharge as a general expense of the company and may not impose in any way

¹ See [PSC Order No. 8195](#) dated August 7, 2012.

² See [PSC Order No. 8070](#) dated November 8, 2011.

³ See [PSC Order No. 8071](#) dated November 8, 2011.

the surcharge on the other ratepayers of Chesapeake who do not reside within the jurisdiction of the Town of Frederica; (ii) that the TFFF surcharge shall be effective for bills rendered on or after February 1, 2015; (iii) that Chesapeake shall file revised tariffs with the Commission within five (5) business days of the final date of the Commission's Order; and (iv) that Chesapeake shall identify the TFFF surcharge as a separate line item on its bills to its customers within the Town of Frederica listed as "Town of Frederica Franchise Fee".